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TAGS: [PGOV](#) [PREL](#) [GR](#)
SUBJECT: GREECE: AS SUMMER HEATS UP, PASOK MELTS DOWN
REF: ATHENS 835

Classified By: A/POLCOUNS JEFFREY HOVENIER. REASONS 1.4 (B) AND (D).

11. (C) SUMMARY: Despite popular discontent with the New Democracy (ND) government stemming from steep rises in food and fuel costs, continued problems in the universities, and hard-to-swallow pension reforms, leading opposition party PASOK remains behind in the polls and has descended into an internecine leadership struggle that seems destined only to damage further the party's standing. Seven months after PASOK leader George Papandreou successfully fought off a challenge from former minister Venizelos, the latest leadership ruckus burst on the scene when former PASOK PM Simitis publicly attacked Papandreou over the latter's calls for a referendum on the Lisbon Treaty (reftel). Papandreou responded by expelling Simitis from the PASOK parliamentary caucus -- but not the party. The picture is further complicated by the unfolding scandal -- which could turn out to be major in scale -- over alleged bribes by German electronics firm Siemens of PASOK officials under then-PM Simitis (and later to New Democracy politicians under current PM Karamanlis). Party infighting and lingering discontent have combined to push Papandreou away from his familiar pro-Western attitude and more toward strident "patriotic"-populist positions. This includes an increasingly tough stance on the Macedonia name issue, Kosovo independence, and waning support for Turkey's EU bid. END SUMMARY.

PASOK'S SUMMER OF DISCONTENT

12. (SBU) In a letter delivered on June 12, PASOK leader Papandreou informed former PM Costas Simitis that he would no longer be considered a deputy of the PASOK parliamentary caucus after criticizing publicly Papandreou's call for a popular referendum on the Lisbon Treaty (reftel; the treaty was ratified by parliament on June 11 with the votes of both the incumbent ND and PASOK). Papandreou stopped short of expelling Simitis from the party, but he said the former PM would stay outside the parliamentary caucus "for an indefinite period of time." Simitis responded by sending another letter to Papandreou, reminding him that PASOK had lost every election since he, Papandreou, became the leader in January 2004 and declared he would not be silenced any longer when it came to larger policy issues.

13. (C) On June 19, however, the situation took a new twist when Simitis's former right-hand man and top PASOK executive Theodoros Tsoukatos publicly admitted he had received EUR 420,000 (one million old deutschmarks in 1998) as a "political contribution" from German electronics giant Siemens AG, money which later ended up in PASOK's treasury. With a widening special investigation into alleged Siemens bribery of Greek politicians under way in Greece, Papandreou rushed to announce that any PASOK party member implicated in the Siemens affair would automatically lose his/her party membership unless cleared by the courts. (NOTE: The Seimens

scandal is rapidly escalating and may consume both PASOK and ND politicians. END NOTE.) The Tsoukatos revelations have shaken an already strained PASOK badly and led many commentators to wonder whether Simitis himself was aware of these alleged illicit transactions.

14. (C) This latest crisis inside PASOK comes just seven months after Papandreou successfully fought off a leadership challenge launched by senior party member and former minister Evangelos Venizelos. The leadership challenge badly divided the party and left it with wounds that are still festering. In a televised interview after Simitis's ouster from the Parliamentary group, Papandreou assumed a tough stance toward in-party dissidence and warned that any further attempts by individual members "to hoist their own flag" would lead to summary expulsion. Press reports claimed the PASOK leader was already preparing to expel other prominent Simitis supporters, irrespective of their status and party history. The atmosphere has worsened further due to the veteran member, and Andreas Papandreou loyalist, Paraskevas Avgerinos launching a petition to defend the former PM, a move that has incensed many in the Papandreou camp.

ND WOES DON'T TRANSLATE TO PASOK GAINS

15. (SBU) Papandreou faces a tough predicament. Despite widespread problems for the ND government of PM Karamanlis, PASOK has been behind New Democracy in every major nationwide poll since Papandreou took control of the party in 2004 and the trend shows little evidence of changing. The authoritative MRB Trends report for June 2008 placed New Democracy again ahead of PASOK by almost three percentage points and Karamanlis ahead of Papandreou in voter preference for prime minister 34.1 to 24.9 percent.

16. (C) Papandreou critics stress the inability of PASOK to mount an effective opposition at a time when the government of PM Karamanlis faces growing voter anger and labor unrest over skyrocketing fuel and food prices and media claims of rampant profiteering; stubborn inflation above the EU average and rising unemployment; highly unpopular pension and social security reforms; a lingering, violent upheaval inside state universities; and attempts to continue privatization of commercial ports, the OTE telecommunications company, and the DEI public power corporation.

17. (C) Critics also blame the PASOK leader for losing focus and neglecting opposition politics because of his efforts to change PASOK "into something that it is not." Papandreou's personnel changes, his effective dismantling of all of the "obsolete" PASOK party organs, his emphasis on organizational plans emphasizing new technologies not well received by many party organizers, and his seeming inability to find a party platform that can attract voters in sufficient numbers and return PASOK to power have alienated not only the "old guard," whose ranking members have all been sidelined, but also many social groups traditionally voting for PASOK and now seeking refuge in smaller opposition parties.

QUO VADIS, PASOK?

18. (C) While pollsters generally agree that Simitis's name is unpopular among voters across party lines, the unprecedented ejection of a former PM from the PASOK caucus has triggered reflex reactions from all those who oppose the Papandreou leadership. Venizelos, who remains the primary leadership aspirant, has resisted calls for a public statement supporting Simitis and has observed party discipline. Yet, he is reportedly "seeking advice" from his more trusted interlocutors inside the party and biding his time hoping that he will soon be catapulted by developments to "save" PASOK from collapse. Others, however, have already spoken out publicly, leading many commentators to describe the situation as "ominous" for party unity.

19. (C) Papandreou's supporters believe purging Simitis will ultimately enhance the position of the PASOK president. For now, however, this appears to be the minority opinion. Polls conducted since Simitis's dvery ten PASOK voter`eou's initiative and tts highlighting the riQision" of the socialist Meltdown are thus growin`en whether Papandreou's@iscipline would be capQ the tide and offering the socialists a credible chance against New Democracy.

IMPACT ON U.S. POLICY INTERESTS

110. (C) Party infighting and lingering discontent have combined to push Papandreou away from his familiar pro-Western attitude and more toward an often strident, "patriotic"-populist language reminiscent of his late father. In the battle to retain and/or attract traditional PASOK voters and to shield his leadership from accusations of "selling out to the Americans," Papandreou has recently resorted to uncharacteristically anti-American slogans and blanket criticism of American policies. Papandreou's return to these older PASOK propaganda motifs have been exploited by the Karamanlis government but, ironically, may have also given the PM less space to handle issues such as the name dispute with the Republic of Macedonia ("YROM"). Papandreou's PASOK has also adopted anegative stance on Kosovo independence and is radually shifting away from supporting Turkey's EU accession. Indeed, it was Simitis himself -- (along with then-FM Papandreou) the main architect of Greece's step-by-step rapprochement with Turkey during the late 1990s -- who recently announced that Turkey should not become a full EU member but, rather, seek a "special relationship" with the European club.
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